

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 62465 / July 7, 2010

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3150 / July 7, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-13959

In the Matter of	:	ORDER INSTITUTING
	:	ADMINISTRATIVE PROCEEDINGS
ILSE CAPPEL, CPA,	:	PURSUANT TO RULE 102(e) OF THE
	:	COMMISSION’S RULES OF PRACTICE,
Respondent.	:	MAKING FINDINGS, AND IMPOSING
	:	REMEDIAL SANCTIONS
	:	

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Ilse Cappel (“Respondent” or “Cappel”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over her and the subject matter of these proceedings, and the findings contained in Section III. C. below, which are admitted,

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . [p]ermanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

A. Ilse Cappel, age 47, was at all relevant times a certified public accountant licensed to practice in the state of California, on inactive status. She was employed at Peregrine Systems, Inc. from 1993 until June 2002, and held various positions, including Senior Treasury Manager and Assistant Treasurer.

B. Peregrine Systems, Inc. ("Peregrine") was, at the time of Cappel's employment, a Delaware corporation with principal offices in San Diego, California. Peregrine's primary business involved selling infrastructure management software. From its initial public offering in April 1997, until it merged with Hewlett-Packard in 2005, Peregrine's common stock was registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"). It traded on the Nasdaq National Market System from its initial public offering until August 30, 2002, when it was delisted and quoted on the Pink Sheets. In February 2003, Peregrine announced the restatement of \$509 million of revenue it had improperly recorded.

C. On July 6, 2010, a final judgment was entered against Cappel, permanently enjoining her from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 thereunder, and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder, in the civil action entitled Securities and Exchange Commission v. Ilse Cappel, Civil Action No. 02 CV 2310 (S.D. Cal.).

D. The Commission's First Amended Complaint ("complaint") alleged, among other things, that Peregrine's management engaged in deceptive sales and accounting practices, and that Peregrine filed with the Commission materially false financial statements for at least eleven quarters, covering fiscal years 2000, 2001, and the first three quarters of fiscal 2002. In one portion of the fraud, Cappel and others engaged in a scheme to conceal Peregrine's difficulties in collecting its accounts receivable. Those difficulties arose because Peregrine improperly recorded revenue on non-binding arrangements it entered into with customers. Cappel and the others concealed the accounts receivable problems by, among other things, selling fictitious receivables to banks and improperly accounting for cash collected at quarter end. In addition, the complaint alleged, Cappel sold Peregrine stock while in possession of material nonpublic information about the fraud. According to the complaint, by engaging in this and other conduct

Cappel violated the antifraud provisions of the federal securities laws and the books and records, reporting, and internal accounting control provisions of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Cappel's Offer.

Accordingly, IT IS HEREBY ORDERED, effective immediately, that Cappel is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), on the Respondent and her legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
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